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## **Automobile Buying Tips**

### **New Car Purchases**

Dealers often will offer new car buyers extended service contracts for an additional cost. Most extended warranties are sold by the dealer either at the time of purchase or shortly thereafter. It is important to research who and what stands behind this warranty.

As with any contract, new car buyers should ask for a copy of the document and read it before signing. Finally, buyers should assume an item is not covered by their contract unless clearly stated otherwise.

### **Used Car Purchases**

To determine the fair market value of a used car, consult publications such as Consumer Reports, the Car Book, and the Blue Book. These resources provide basic price information and estimated repair costs for various models. The Blue Book is available at most public libraries. Consider the points listed below when shopping for a used car.

- Be alert for “as is” clauses in which the buyer assumes all repair responsibility. It is legal in Illinois to sell cars “as is.”
- Used car dealers are required to provide buyers with a buyer's guide that either discloses a warranty or says “as is.”
- Be sure all verbal promises have been written into the contract; understand the terms of the financing agreement, especially what happens in the event of late or missed payments.
- Beware of “bait-and-switch” sales tactics in which the dealer advertises a particular vehicle at a given sales price but tries to sell the consumer another or more expensive car instead.
- Never give a deposit unless you are certain about buying a car.

### **Spot Delivery**

Auto dealers may promise consumers “spot delivery” of a new or used car when its sale is contingent upon financing. This sales technique encourages consumers who have made a down payment – but who have not yet been approved for financing – to drive away from the dealer's lot in a new or used car before financing is approved.

*NOTE: The consumer who is unable to secure financing is entitled to receive his or her down payment back pursuant to the Consumer Fraud Act.*

*NOTE: The Three-Day-Right-to-Cancel Law does not apply to an auto purchase, and Illinois Lemon Law applies only to new cars, not used car sales or leases.*

### **Leasing**

The Attorney General's Office was instrumental in passing Illinois' new Motor Vehicle Consumer Lessee Protection Act, which requires dealers to disclose a vehicle's capitalized cost,

capitalized cost reduction, and residual value. This law requires dealers to give consumers lease samples for comparison shopping before entering into a lease, and to return consumer's down payments or trade-ins if consumers opt not to enter into a lease.

All aspects of a lease are negotiable. Do not just focus on monthly payments. Consumers most commonly complain that: they were switched from a purchase to a lease without consent; the dealer did not disclose a vehicle's capitalized cost; or the dealer did not deduct trade-in value from capitalized cost.

*NOTE: Capitalized cost is ONE factor used to calculate monthly lease payments and represents a vehicle's total price.*

In addition to price and other factors, the capitalized cost may include:

- taxes, registration, license, acquisition, administration, assignment, and other fees
- the unpaid balance of a trade-in under an outstanding vehicle loan agreement
- the unpaid portion of the early termination obligation under a current lease

Capitalized cost reductions include:

- down payments,
- rebates, and
- trade-in allowances

Before entering into a lease, ask:

- Who is responsible for maintenance during the term of the lease?
- How much mileage is allowed and what is the cost of excess mileage?
- Is there a penalty for early lease termination, and if so what triggers it? E.g., what happens if the vehicle is "totaled" during the term of the lease?
- How is the value of a "totaled" vehicle determined? (What is the gap amount?)
- Is there an option to purchase a vehicle at the end of the lease term?
- What happens if the vehicle is not purchased at the conclusion of the lease?

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